



State Board of Equalization

News Release

Michelle Steel, Member

3rd District – Rolling Hills Estates

Ramon J. Hirsig
Executive Director
www.boe.ca.gov

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**Contact: NR 73-08-S
Anita Gore
916-327-8988**

Michelle Steel Releases 3rd Quarter 2007 Taxable Sales

Michelle Steel, Third District Member of the State Board of Equalization (BOE), today announced that taxable sales in California decreased 1.8 percent in the third quarter of 2007, reflecting continued slowing economic growth.

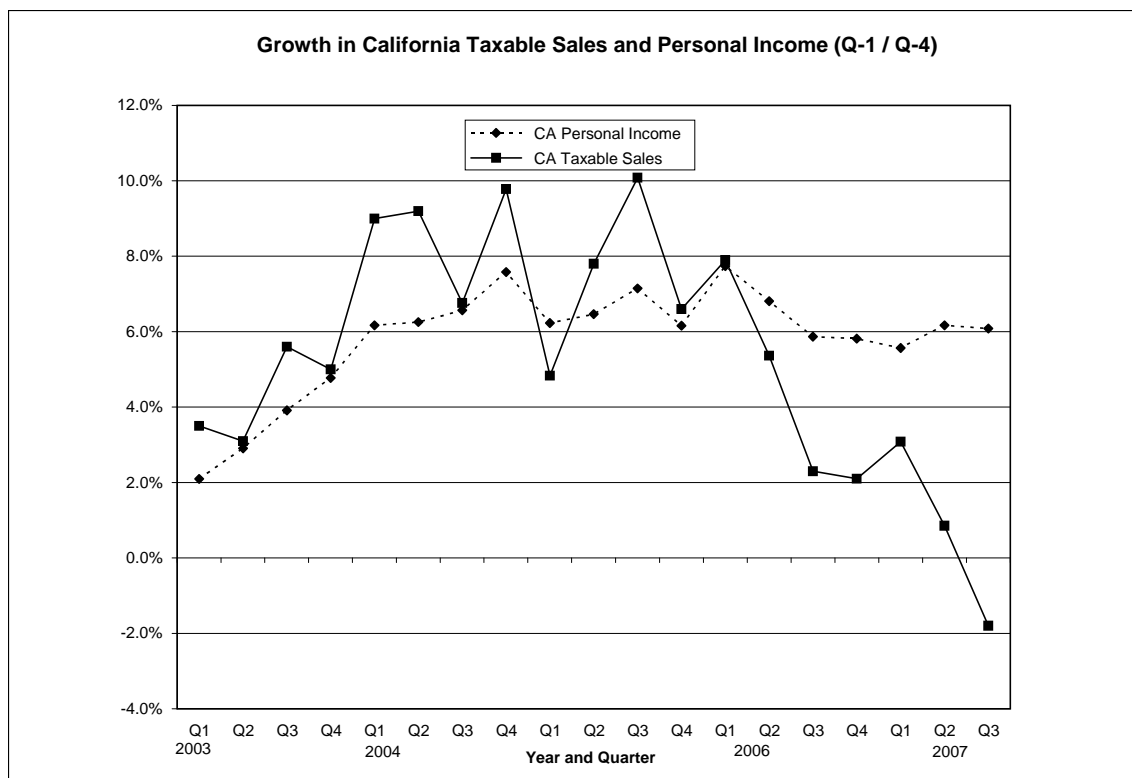
Taxable sales totaled \$139.8 billion in the third quarter of 2007, down \$2.6 billion from the third quarter of 2006. Growth in taxable sales became weaker during each of the first three quarters of 2007. (See chart.) This is the first decline in taxable sales since 2002.

Taxable sales declined 2.2 percent in Orange County and 2.3 percent in San Diego County, somewhat greater than the state average decline of 1.8 percent. However, taxable sales in the Inland Empire decreased much more precipitously, 4.8 percent, largely reflecting weak real estate markets. In contrast to these declines, taxable sales in Tustin and Chula Vista increased 2.1 percent and 1.6 percent respectively. Taxable sales in Costa Mesa and Irvine were essentially flat, a 0.1 percent increase, and a 0.2 percent decline. Taxable sales in the city of San Diego declined 1.0 percent, less than the average statewide decline.

In constant dollar terms, taxable sales decreased by 1.3 percent over the same quarter a year ago. The California Taxable Sales Deflator measured an inflation rate of -0.5 percent for the third quarter of 2007. In contrast, the California CPI rose 2.8 percent. (The CPI includes services, whose prices tend to increase faster than those of most taxable goods.)

While taxable sales declined 1.8 percent, income rose 6.1 percent, a distinctive break from the long term trend of taxable sales growing at rates faster than incomes during times of stronger economic growth. (See chart.) Growth in taxable sales has not been this much slower than growth in personal income since 1991. Historical data show that quarterly taxable sales often rise much less rapidly than personal incomes during periods of economic weakness, as was the case in the early 1980s, the early 1990s and early in this decade.

Notice: In early 2007, the Board of Equalization began a process of converting business codes of sales and use tax permit holders to North American Industry Classification System (NAICS) codes. Over one million permit holders will be converted over time from the previous business coding system to the NAICS codes. As a result of the coding change process, industry data for 2007 are not comparable with data from 2006. Therefore, we will not publish percentage changes by industry until the coding process has been substantially completed. The NAICS coding process has also caused us to change the format of Table 1 attached to this release. We will continue to follow the general structure of our tables in past reports. However, some industries were previously listed within categories that no longer exist, and others have been combined into new ones.



For a complete list of the taxable sales in California, visit: <http://www.boe.ca.gov/news/tsalescont.htm>.

Elected to the Board of Equalization in 2006, Michelle Steel serves as the country's highest ranking Korean-American elected official. She represents the more than 8.5 million taxpayers of the Third Board of Equalization District, including the counties of Los Angeles, Orange, San Diego, Riverside, Imperial and San Bernardino.

The five-member California State Board of Equalization (BOE) is a publicly elected tax board. The BOE collects more than \$53 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and serves a significant role in the assessment and administration of property taxes.

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